City of Ames/I.B.E.W. #55 (utility Division)

CBO 45
SECTOR 1

Iowa Public Employment Relations Board

In the Matter of: Ames, Iowa, Employer	Fact-finder's Report and Recommentations
And	Date: February 17, 2004
International Brotherhood of Electrical Workers, AFL-CIO, Local 55, Union	Electrical Distribution Division

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Appearances

For the Employer:	Sheila Lundt Assistant City Manager City of Ames
For the Union:	James R. Waers Blake & Uhlig Sandy Opstvedt Union Representative

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Hearing: 9am – 12:30pm, January 23, 2004, Ames City Hall

Introduction

The City of Ames, Iowa and the International Brotherhood of Electrical Workers, AFL-CIO, Local 55 (Union) have engaged in collective bargaining to impasse under the provisions of the Iowa Public Employment Relations Act (Chapter 20, Iowa Code). They selected the undersigned from a list provided by the Iowa Perb to make a fact-finding recommendation to settle the dispute.

The Ames Municipal Electric System is one of three municipally owned public utilities in Iowa. The other two are Muscatine and Cedar Falls. Ames serves over 21,500 customers with a peak load of 118 megawatts. Muscatine has 10,910 customers with a peak load of 143 megawatts. Cedar Falls serves 16,709 customers with a peak load of 90 megawatts.

Ames' electrical employees fill 79 full-time positions and are divided into two bargaining units, with the Distribution Division of 22 employees represented by IBEW Local 55. The other Electric Utility employees are represented by the Operating Engineers.

The 22 Distribution employees include: 3 electric line foremen, 6 electric lineworkers, 1 substation foreman, 2 substation electricians, 4 electric serviceworkers, 1 records and materials assistant, 1 storekeeper, 2 electric meter repairworkers and 2 electrical engineering assistants.

The parties began bargaining on November 12, 2003. They were able to resolve all issues except health insurance, footwear, standby pay, overtime conversion to compensatory time and wages/special adjustment. The Union withdrew a proposal on life insurance.

Statutory Considerations

The Iowa Public Employment Relations Act – Chapter 20, Iowa Code sets forth the criteria to be used by neutrals in fashioning a recommendation for settlement of the dispute.

… The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

> *a.* Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.
>
> *b.* Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing

comparable work, giving consideration to factors peculiar to the area and the classifications involved.

c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.

d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

Ability to Pay

The City's Utility is supported by fees from customers. The City's ability to pay is not an issue as the City could "afford" the Union's proposal. However, cost is an important factor in the City's rate structure.

Comparability

The City and the Union stipulated that they have historically used Muscatine and Cedar Falls as their external comparability group. Ames workers have longevity pay ranging from $100 with five years of service to $600 at 30 years. Neither of the comparable cities provides this benefit. Ames is the largest City of the three.

Bargaining History

The parties have been bargaining for over 25 years. Their contract is what would be considered a "mature" contract, with occasional adjustments to contract language. They have established a bargaining history of leading or keeping pace with both Muscatine and Cedar Falls.

Fact Finding Issues

1. Wages.

The City has proposed a 2.75% wage increase. The Union is seeking a 4% wage increase.

The Union argues that the City took an artificially low fact-finding position, hoping the Fact-finder would "split the difference". A wage increase between 3.5% and 4% is the range of settlements and increases in the comparability group, according to the Union. The 50 cent adjustment for linemen and electricians is needed to adjust for the realities of the marketplace and the more demanding and dangerous nature of the work. Because of the City's inability to fill some positions, remaining employees must work more overtime.

The City argues that a "prudent, but justified" wage increase is appropriate. Ames has enjoyed a relative parity with Muscatine and Cedar Falls in wage increases over the years. There is no justification for changing the relative ranking of Ames in the comparability group.

Several other bargaining units in the City have settled their contracts. The unit most comparable to the IBEW unit is that of the Power Plant according to the City. They reached a 2 year agreement with a 3.25% wage increase and the health insurance language sought by the City, as well as the longevity scale of the IBEW unit.

Muscatine's wage increase in December of 2003 was 3.8%. Cedar Falls increase effective July 2004 will be 3.6%. Neither agreement alters health insurance.

I have considered the arguments of the parties and the statutory criteria in making my recommendations. I recommend an across the board increase of 3.5%. This increase keeps the unit in a competitive position with the other cities in the very small comparability group and is not out of line with other city bargaining units' settlements, though they are less important considerations. Taking into account that I am recommending changes in health insurance, a benefit the union bargained for in the past, the wage increase percentage is justified. I do not recommend a special adjustment for certain classifications. While there is no doubt these employees perform important, dangerous work in often adverse conditions, they are well-paid in comparison to the other cities in the comparability group.

2. **Health Insurance.** The Union resists any attempt to change the current health insurance plan. The current plan provides :

> The City makes available to each regular full-time employee a comprehensive hospitalization program including hospitalization, surgical, major medical and prepaid prescription service ($2.00 or $5.00 deductible). The City shall pay 90 percent of the combined total cost of single and dependent premiums.
>
> The City will make available alternative health insurance plans. All regular full-time employees employed prior to July 1, 1989 will have the option of remaining with the original plan (known as Plan 1) or electing a new plan. The percent of premium contribution will be as provided in the bargaining agreement.
>
> ....

The City of Ames is self-insured. The City appointed a study team to explore health care cost containment after experiencing dramatic increases in the cost of health insurance for its employees. The Union had declined to participate in the Health Care Committee mandated in the collective bargaining agreement, so the study (HIT) team was composed of non-bargaining unit employees.

The HIT team spent a year analyzing the City's health care costs and ways to attempt to slow the increase. The City's workforce is an aging workforce. Increasing technological advances have increased costs as well. The Study published by the Team indicated an increase in total annual costs of prescription drugs to the City of Ames over a five year period of 1996/97 to 2001/02 of 131%. Over the past two years, those costs have increased from $615,139 to $766,829. Over the same initial five year period, the number of prescriptions filled increased from 8,924 to 13,376.

The costs of the medical insurance have also increased. Costs of office visits have increased an average of 37.8% and the utilization per member has increased by 6% with a 32.9% increase in obstetrical visits. During a period 1999 – 2001, physician charges increased 57%. This same period saw office charges increase 69%. Office tests costs increased 96%. As a result of these dramatic increases, the team made many recommendations, some of which were included in the City's fact-finding offer. The City's proposed changes are designed to help improve the health status of plan members, strengthen plan member involvement in healthcare decisions, and provide incentives for making responsible decisions.

The City's offer would delete the current language and replace it as follows:

> Health Insurance. The City will make available to each regular full-time employee a health insurance program consisting of medical, dental, and prescription drug coverage. Health insurance plans offered by the City to employees will include at least one traditional fee-for-service (indemnity) plan and one primary care physician (PCP) plan. Plans, insurance carriers, third party administrators, enrollment periods, funding methods, premium rates, and other administrative decisions are determined by the City.
>
> (A) Prescription Drugs. Employee co-payments shall be $4.00 for generic and selected over-the-counter drugs, $10.00 for preferred brand name drugs, and $25.00 for all other prescription drugs. Drug co-payments shall not be eligible for reimbursement under the medical coverage. The maximum annual out-of-pocket cost for prescription drugs shall be $750 per covered member/$1500 per covered family unit.
>
> (B) Contributions. For fee-for-service (indemnity) plans, the City's contribution to the respective single or family monthly premium shall be ninety (90) percent. For primary care physician (PCP) plans, the City's contribution to the respective single or family monthly premium shall be the same rate as for merit employees. The balance of the monthly premium cost, if any, shall be paid by the employee.

In cases where married spouses both work for the City and are eligible for health insurance coverage, contributions will be as follows. If both spouses select family coverage, the spouses shall evenly divide the employee's portion of the monthly premium. If both spouses select single coverage, each spouse shall pay the applicable monthly employee contribution for single coverage.

The City's contribution is for health insurance premiums only. Any employee electing not to take the insurance benefit shall not be entitled to any cash refund.

(C) Health Insurance Advisory Committee. Recognizing the mutual benefits of controlling health care costs and of having a healthy workforce, the Union agrees to have two representatives actively participate in a health care advisory committee. This committee will advise the city administration in evaluating the administration of the health insurance program, in communicating with system members, and in making recommendations for plan design changes. The union does not waive its right to negotiate health insurance benefits by participating in this committee.

The proposed changes from current provisions would mean an increase in prescription co-pays and a provide a cap on out-of-pocket costs of drugs to the employee. Those taking single coverage would also have to pay 10% of the premium costs. The City wants to completely eliminate Plan I, as they are not able to find a plan administrator willing to take it on. It is the last one of its kind around, according to Wellmark Blue Cross Blue Shield. Only 7 employees have been unwilling to leave the plan.

The Union argues that the City merely wants to take health insurance off the bargaining table and be allowed to unilaterally determine the type and costs of the coverage provided. It argues that employees have a right to negotiate health benefits and know what their coverage will be.

The changes proposed by the City are justified by the study. The time when employees can expect complete, cheap health insurance is over. Rising costs and utilization rates cannot continue unabated. Giving employees a stake in the management of health care costs is supposed to create an incentive to keep costs down. This is cost-shifting, no doubt about it, but it seems to work. While health insurance coverage was bargained by the Union, the continually escalating costs require a cooperative effort to find solutions which will slow these shocking increases. The City should not be expected to absorb these increases on its own, with no way to control the escalation.

The prescription co-pays have not been changed in over 20 years. The increases proposed by the City are reasonable and justified by the evidence. The three tier co-pay plan gives employees choices and will also serve as an incentive to not overutilize prescription drugs. Placing a cap on out-of-pocket costs will protect employees with catastrophic drug bills.

Eliminating Plan I is also reasonable. Economies of scale will surely have an effect on cost containment.

I recommend that the changes proposed in the City's offer be accepted by the Union, with two changes: an elimination of the word "plans" in the items to be determined by the City in the last sentence of the first paragraph, and a phase-in of the single contribution of just 5% for next year. The City's proposed language is not any more "broad" than the current contract language regarding the City's discretion in insurance except for the inclusion of the word "plans". Eliminating Plan I is definitely a change, but justified by the facts. It is not clear to me how much involvement the Union has had in negotiating the "plans" in the past, but absent such evidence, I cannot just eliminate their right to involvement. What the "plan" is is a mandatory subject of bargaining.

The City's language establishing another Health Insurance Advisory Committee is also recommended. While I recognize the Union's concerns about the committee undermining its right to negotiate health insurance benefits, there must be cooperation to slow the increases in health care costs.

Both Cedar Falls and Muscatine have higher drug co-pays than Ames. Muscatine requires more employee contribution towards premium costs.

3. Standby Pay.

The Union proposes to increase standby pay from 2 hours to 2.5 hours. Many employees in the distribution department are on-call for a week every six weeks. They must remain in the area and respond to calls any time of the night.

This benefit increases with the increase in the wage rate. There is no justification for increasing the hours. Comparability does not support an increase.

I do not recommend an increase in standby pay.

4. Overtime Conversion.

The Union proposes to permit employees to convert up to 60 hours of overtime to compensatory time. The Union argues that this is a no cost item to the City and should be recommended.

Comparability does not support this change. If adopted, the City would experience increased overtime costs to cover for employees off on comp. time.

I do not recommend an increase in overtime conversion.

5. Footwear Allowance.

The Union proposes to change the footwear allowance to $115 per year, as opposed to current language which provides $225 every other year. This benefit was increased in the parties contract negotiations last year. The City already provides safety footwear.

Comparability does not support this increase. I do not recommend a change.

Recommendations

1. **Wages:** A wage increase of 3.5% across the board.

2. **Health Insurance:**

Health Insurance. The City will make available to each regular full-time employee a health insurance program consisting of medical, dental, and prescription drug coverage. Health insurance plans offered by the City to employees will include at least one traditional fee-for-service (indemnity) plan and one primary care physician (PCP) plan. Insurance carriers, third party administrators, enrollment periods, funding methods, premium rates, and other administrative decisions are determined by the City.

(A) Prescription Drugs. Employee co-payments shall be $4.00 for generic and selected over-the-counter drugs, $10.00 for preferred brand name drugs, and $25.00 for all other prescription drugs. Drug co-payments shall not be eligible for reimbursement under the medical coverage. The maximum annual out-of-pocket cost for prescription drugs shall be $750 per covered member/$1500 per covered family unit.

(B) Contributions. For fee-for-service (indemnity) plans, the City's contribution to the family monthly premium shall be ninety (90) percent. For fee-for-service (indemnity) plans, the City's contribution to the single monthly premium shall be ninety-five (95) percent. For primary care physician (PCP) plans, the City's contribution to the respective single or family monthly premium shall be the same rate as for merit employees. The balance of the monthly premium cost, if any, shall be paid by the employee.

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3. No other changes to the contract are recommended .

NANCY D. POWERS

Dated: February 17, 2004